

January 12, 2005

CONFIDENTIAL

Mayor Jackson Ading
Enewetak/Ujelang Local Government
Republic of the Marshall Islands
Majuro, Marshall Islands 96960

Dear Mayor Ading:

In planning the engagement to audit the financial statements of the Enewetak/Ujelang Local Government (EULGOV) Food and Agriculture Support Program (the Program) for the year ended September 30, 2003, on which we have issued our report dated January 12, 2005, we developed the following recommendations concerning certain matters related to the Program's internal control and certain observations and recommendations on other accounting, administrative and operating matters. Our principal recommendations are summarized below:

1) Cash/Receivables

Cash collections should be deposited intact in a timely manner. The Kawewa bank reconciliation for the month of September 2003 indicated undeposited collections of \$1,946.35 from June 23, 2003. Additionally, for cash receipt #3479, we noted a total collection of \$6,194.05; however, the total deposit for the day was \$5,057. A shortage of \$1,137.05 is noted. We recommend that management ensure that cash collections are deposited intact in a timely manner.

2) Revenues

At September 30, 2003, the Program recorded \$34,133 as a miscellaneous credit from insurance settlement; however, no supporting documentation was available to support the amount. We recommend that management ensure that documentation is maintained to support recorded revenue.

3) Receivables

At September 30, 2003, the Kawewa Fund recorded a \$4,462 receivable from the Food and Agriculture Support Program Fund; however, there was no support available documenting the basis of the receivable. We recommend that management ensure that supporting documentation is maintained to support recorded receivables.

4) Disbursements/Consulting Fees

Of twenty-two non-payroll expenditures tested, three expenditures for consulting fees were paid per check #s 17144, 17342, and 17841 in the amounts of \$6,000, \$6,667, and \$6,667, respectively. However, the supporting contract was not signed and the terms of the contract indicated that the contract expired in September 1998. We recommend that management ensure that contracts are updated and maintained to support consulting fees paid.

5) Cash

The last check issued for the Food and Agriculture Support Program Fund at September 30, 2003 was check # 18843. Check #s 18846, 18847, and 18848 in the amount of \$522, \$522, and \$107.77, respectively, were issued out of sequence and were also dated in FY03. These checks were not recorded in the general ledger at September 30, 2003. Additionally, check # 18844 for \$9,000 was issued subsequent to year end, but was included as an outstanding item in the bank reconciliation for September 30, 2003. We recommend that management ensure that bank reconciliations are performed properly.

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We have previously communicated certain matters noted during the engagement to audit the financial statements of the Program for the year ended September 30, 2003, which we considered to be reportable conditions, in our report dated January 12, 2005.

This report is intended solely for the information and use of the Council and management and is not intended to be and should not be used by anyone other than these specified parties.

We would like to thank the accounting staff and management for their assistance during the course of the engagement to audit. Should you have any questions regarding the matters discussed herein, please contact our office at your convenience.

Very truly yours,

